

## Executive Summary

TischlerBise was retained by the City of Orange Beach, Alabama to prepare this Impact Fee Study. Impact fees are one-time payments used to fund system improvements needed to accommodate new development. As documented in this report, the methods used to calculate impact fees in this study are intended to satisfy all legal requirements governing such fees, including provisions of the U.S. Constitution and Alabama Act 2006-300. TischlerBise evaluated impact fees for five types of public facilities: parks and recreation, fire, police, transportation and library.

TischlerBise evaluated possible methodologies and documented appropriate demand indicators by type of development for each type of impact fee. Specific capital costs have been identified using local data and current dollars. The formula used to calculate each impact fee amount is diagrammed in a flow chart at the beginning of each section. **In addition,** the report includes a summary table for each type of impact fee indicating the specific factors used to derive the amounts. These factors are referred to as “Level of Service” (LOS) standards. Park impact fees are based on residential demand only; **however,** fire, police and transportation impact fees are based on both residential and nonresidential demand.

## METHODOLOGIES

There are three basic methods used to calculate impact fees. **First,** the incremental expansion method documents the current level of service for each type of public facility in both quantitative and qualitative measures. The intent is to use impact fee revenue to expand or provide additional facilities, as needed to accommodate new development, based on the current cost to provide capital improvements. **Second,** the incremental expansion method is used to calculate all impact fees included in this study. Other methods include the plan-based method and the cost recovery method. The plan-based method is commonly used for public facilities that have adopted plans or engineering studies to guide capital improvements, such as utility systems. **Third,** the cost recovery method is based on the rationale that new development is paying for its share of the useful life and remaining unused capacity of an existing facility.

A general requirement common to impact fee methodologies is the evaluation of credits. Two types of credits should be considered: future revenue credits and site-specific credits. Future revenue credits are necessary to avoid potential double payment situations arising from a one-time impact fee payment plus the payment of other revenues that may also fund growth-related capital improvements.